



## Treasury Inspector General for Tax Administration

### THE BACKGROUND INVESTIGATION PROCESS NEEDS IMPROVEMENTS TO ENSURE INVESTIGATIONS ARE COMPLETED TIMELY AND EFFECTIVELY

Issued on March 28, 2007

## Highlights

Highlights of Report Number 2007-20-059 to the Internal Revenue Service Chief, Mission Assurance and Security Services.

### IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) maintains sensitive financial information for more than 226 million taxpayers. Because many IRS and contractor employees must have access to sensitive taxpayer information to administer the nation's tax system, the IRS must be particularly cognizant of hiring only those applicants with the highest integrity. Unsuitable IRS and contractor employees could gain access to sensitive taxpayer information for unauthorized purposes, including identity theft.

### WHY TIGTA DID THE AUDIT

This audit was initiated as part of TIGTA's statutory audit coverage and is included in our Fiscal Year 2006 Annual Audit Plan. The review was conducted to determine whether the IRS' background investigation process ensures investigations are completed timely and effectively and assures management that IRS and contractor employees are suitable for employment.

### WHAT TIGTA FOUND

The IRS' process for prescreening its employees prior to conducting the background investigations was appropriate and effective. Also, IRS employee background investigations were appropriate for the level of risk associated with the positions.

However, the IRS did not complete within established IRS baselines 77 percent of the IRS employee investigations and 72 percent of the contractor employee investigations sampled. In addition, business unit managers authorized some contractor employees to gain access to IRS computer systems before fingerprint analyses had been received by the IRS.

Furthermore, temporary bank (lockbox) employees who assist lockbox sites in handling more than \$360 billion in taxpayer remittances per year receive only an annual

fingerprint check. The IRS is currently working with the Department of the Treasury Financial Management Service to revise the requirements for hiring temporary lockbox employees. At a minimum, temporary lockbox employees shall be legal permanent residents who have resided in the United States for at least 5 years.

Additionally, background investigations were not always required for cleaning contractor employees who had access to IRS office space. Of the 19 contracts reviewed, 8 (42 percent) did not require background investigations. In addition, the TIGTA Office of Investigations found 17 cleaning contractor employees without background investigations in 9 IRS facilities it reviewed. Three of the 17 employees were using stolen Social Security Numbers, and their true identities are unknown.

### WHAT TIGTA RECOMMENDED

TIGTA recommended the Chief, Mission Assurance and Security Services, (1) ensure the Automated Background Investigation System is programmed to track the time expended to process background investigations, and (2) periodically remind business unit managers, contracting officials, and system administrators to review documentation verifying that contractor employees have been prescreened before they are given access to computer systems. Because actions are currently underway to improve background investigations of temporary bank employees and cleaning contractor employees, no additional recommendations were made.

In their response to the report, IRS officials agreed with our recommendations. The Automated Background Investigation System tracks the amount of time it takes to process an investigation and managers have the ability to use inventory reports to track case actions and case delays. In addition, an alert will be deployed to notify Investigative Analysts prior to the ending of employees' probationary periods, and periodic notices will be posted to remind business unit managers, contracting officials, and system administrators of their responsibilities prior to adding contractor employees to computer systems.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200720059fr.pdf>.

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